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November 29, 2018

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
PO Box 3265  
Harrisburg, PA 17105-3265

Re: PA PUC v. Pittsburgh Water and Sewer Authority  
Docket Nos. R-2018-3002645 and R-2018-3002647

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Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Joint Petition for Settlement with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Daniel Clearfield

DC/lww  
Enclosure

cc: Hon. Mark Hoyer w/enc.  
Hon. Conrad Johnson w/enc.  
Certificate of Service w/enc.

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the Joint Petition for Settlement upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Dated: November 29, 2018

  
Daniel Clearfield, Esq.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	
	:	Docket No. R-2018-3002645, <i>et al.</i>
v.	:	
	:	
Pittsburgh Water and Sewer Authority - Water	:	
	:	
Pennsylvania Public Utility Commission, <i>et al.</i>	:	
	:	Docket No. R-2018-3002647, <i>et al.</i>
v.	:	
	:	
Pittsburgh Water and Sewer Authority -	:	
Wastewater	:	

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**JOINT PETITION FOR SETTLEMENT**

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Date: November 29, 2018

## Table of Contents

	Page
<b>I. INTRODUCTION.....</b>	<b>1</b>
<b>II. BACKGROUND .....</b>	<b>3</b>
<b>III. TERMS AND CONDITIONS OF SETTLEMENT.....</b>	<b>7</b>
A. Revenue Requirement.....	7
B. Revenue Allocation And Rate Design .....	8
C. Infrastructure/Operations/Lead .....	9
D. Customer Service Issues .....	14
E. Tariff Issues .....	16
F. Low-Income Customer Issues.....	17
G. Contractual Issues .....	20
H. Long Term Infrastructure Improvement Plan (LTIIP) and Other Compliance Plan Issues .....	24
<b>IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST .....</b>	<b>29</b>
<b>V. ADDITIONAL TERMS AND CONDITIONS.....</b>	<b>30</b>
<b>List of Exhibits and Appendices.....</b>	<b>ii</b>

## **List of Exhibits and Appendices**

Exhibit 1	Water Tariff – Settlement Rates
Exhibit 1(a)	Redline Water Tariff – Settlement Rates
Exhibit 2	Wastewater Tariff – Settlement Rates
Exhibit 2(a)	Redline Wastewater Tariff – Settlement Rates
Exhibit 3	Proof of Revenue

Appendix A	Proposed Findings of Fact
Appendix B	Proposed Conclusions of Law
Appendix C	Proposed Ordering Paragraphs

**To Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Conrad A. Johnson:**

## **I. INTRODUCTION**

The Pittsburgh Water and Sewer Authority (“PWSA” or the “Authority”), the Bureau of Investigation and Enforcement, (“BIE” or “I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and Pittsburgh UNITED (“UNITED”) (collectively, the Joint Petitioners”),<sup>1</sup> by their respective counsel, submit and join this Joint Petition For Settlement (“Settlement” or “Joint Petition”), which resolves all issues in above-captioned proceedings between and among all of the active parties; **and** do hereby request that Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Conrad A. Johnson (collectively, “ALJs”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”): 1) expeditiously approve the Settlement and all of its terms and conditions without modification; and 2) permit PWSA to file the tariff supplement attached hereto as Exhibit 1 (Water) and Exhibit 2 (Wastewater) to reflect rates and terms consistent with this Settlement (“Settlement Rates”) to become effective pursuant to the terms set forth herein.

The Settlement provides for a \$21 million increase in retail user rates, as opposed to PWSA’s original, \$27 million request. As set forth in Exhibits 1 and 2 and the proof of revenues attached as Exhibit 3 to this Joint Petition, the Settlement Rates are designed to produce a net increase in user charge operating revenues of \$21 million,<sup>2</sup> based upon data for a fully projected future test year (“FPFTY”) ending December 31, 2019, as adjusted.

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<sup>1</sup> The following parties have indicated that they do not oppose the Settlement: Pennsylvania-American Water Company (“PAWC”) and Duquesne Light Company (“DLC”).

<sup>2</sup> The Settlement (a) increases PWSA’s total annual user charge revenues for water service by approximately \$16.639 million, or 17.1%; and, (b) increases PWSA’s total annual user charge revenues for wastewater conveyance service by approximately \$4.374 million, or 7.2%.

The anticipated impact of the agreed-upon Settlement Rates upon the average customer in various customer classes is shown in part of Exhibit 3. Under the Settlement Rates, a typical residential water and wastewater conveyance customer using 3,000 gallons of water per month would see their total monthly bill increase from \$63.62 to \$72.49, an increase of \$8.87 or 13.9%. The breakdown by water and wastewater conveyance bill component for a residential customer is provided in the table below.

Residential Monthly Bill	Present	Settlement	% Increase
Water	\$42.07	\$49.35	17.3%
Wastewater Conveyance	<u>\$21.55</u>	<u>\$23.14</u>	<u>7.4%</u>
Total Monthly Bill	\$63.62	\$72.49	13.9%

The total bill for a commercial customer using 13,000 gallons per month would increase from \$234.00 to \$265.96 per month or by 13.7%.

Commercial Monthly Bill	Present	Settlement	% Increase
Water	\$148.02	\$173.66	17.3%
Wastewater Conveyance	<u>\$85.98</u>	<u>\$92.30</u>	<u>7.4%</u>
Total Monthly Bill	\$234.00	\$265.96	13.7%

Rates for an industrial customer using 680,000 gallons per month would increase from \$9,409.52 to \$10,649.49 per month or by 13.2%.

Industrial Monthly Bill	Present	Settlement	% Increase
Water	\$5,505.62	\$6,458.38	17.3%
Wastewater Conveyance	<u>\$3,903.90</u>	<u>\$4,191.11</u>	<u>7.4%</u>
Total Monthly Bill	\$9,409.52	\$10,649.49	13.2%

Rates for a health or education customer using 50,000 gallons per month would increase from \$1,031.30 to \$1,171.86 per month or by 13.6%.

Health or Education Monthly Bill	Present	Settlement	% Increase
Water	\$649.46	\$761.70	17.3%
Wastewater Conveyance	<u>\$381.84</u>	<u>\$410.16</u>	<u>7.4%</u>
Total Monthly Bill	\$1,031.30	\$1,171.86	13.6%

In support of this Settlement, the Joint Petitioners state as follows:



## II. BACKGROUND

1. PWSA is a municipal authority. PWSA provides water service to approximately 80,000 residential, commercial and industrial customers in: portions of the City of Pittsburgh; the Borough of Millvale; and portions of Reserve, O'Hara, and Blawnox Townships, Allegheny County. PWSA also provides wastewater conveyance service to customers located in the City of Pittsburgh, Allegheny County, and also conveys wastewater for portions of 24 neighboring communities. PWSA's water and wastewater operations became subject to regulation by the Pennsylvania Public Utility Commission on April 1, 2018, pursuant to Act 65 of 2017, 66 Pa.C.S. § 3201 *et seq.*

2. On July 2, 2018, the PWSA filed Tariff Water – Pa. P.U.C. No. 1 and Tariff Wastewater – Pa. P.U.C. No. 1 to become effective August 31, 2018 with the Commission (collectively, the “July 2, 2018 base rate increase filing”). Through this filing, PWSA requested that the Commission approve its new tariffs pursuant to Act 65 of 2017, 66 Pa.C.S. § 3201 *et seq.* PWSA proposed increases to water and wastewater total user charge revenues of approximately \$27.0 million per year over the amount of user charge revenues at present rates.<sup>3</sup> At that time, on July 2, 2018, PWSA also filed two petitions: a petition for consolidation of proceedings and for authorization to use combined water and wastewater revenue requirements; and a petition for waiver of the statutory definition of FPFTY to permit a FPFTY beginning January 1, 2019. *See* 66 Pa.C.S. § 315(e).

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<sup>3</sup> The July 2, 2018 base rate increase filing proposed to (a) increase PWSA's total annual user charge revenues for water service by approximately \$21.38 million, or 22.01%; and, (b) increase PWSA's total annual user charge revenues for wastewater conveyance service by approximately \$5.63 million, or 9.25%.

3. On July 5, 2018, the OCA filed a Notice of Appearance and Formal Complaint at Docket Nos. C-2018-3003165 (Water) and C-2018-3003173 (Wastewater) in the above-captioned proceedings.

4. I&E filed a Notice of Appearance on July 6, 2018.

5. On July 13, 2018, the OSBA filed a Notice of Appearance and Formal Complaint at Docket Nos. C-2018-3003388 (Water) and C-2018-3003384 (Wastewater) in the above-captioned proceedings.

6. On July 12, 2018, the Commission issued Suspension Orders in the above-captioned proceedings ordering investigations into the lawfulness, justness and reasonableness of the proposed rate increases. The Tariffs were suspended by operation of law until March 31, 2019, unless permitted by Commission Order to become effective at an earlier date.

7. A Prehearing Conference Order was issued on July 12, 2018, scheduling an initial prehearing conference for July 19, 2018.

8. On July 13, 2018, UNITED filed a petition to intervene and answer. At that time UNITED also filed two motions for admission *pro hac vice*.

9. On July 17, 2018, a prehearing conference notice was issued.

10. A prehearing conference was held on July 19, 2018. A litigation schedule was established along with modified discovery rules. *See* 52 Pa. Code §§ 5.341 *et seq.*

11. On July 20, 2018, the ALJs issued a Prehearing Order memorializing the schedule and other matters decided and agreed upon by the parties attending the prehearing conference. The Prehearing Order granted: (a) PWSA's Petition of PWSA for waiver of the statutory definition of FPPTY; (b) PWSA's Petition for consolidation of proceedings and to use

combined water and wastewater revenue requirements; (c) UNITED's Petition to Intervene; and, (d) the motions for admission pro hac vice filed by UNITED.

12. On July 26, 2018, PWSA filed a Motion for a Protective Order. The requested Protective Order was granted on August 8, 2018.

13. On August 13, 2018, PAWC filed a formal complaint (C-2018-3003941) in the above-captioned proceedings. PWSA, in lieu of filing an answer, relied upon 52 Pa. Code § 5.61(d),<sup>4</sup> which provides: "For complaints which are docketed with Commission-initiated rate proceedings, an answer may be filed within 10 days of date of service. However, an answer is not required, except as may be directed by the Commission or the presiding officer."

14. On August 24, 2018, James Ferlo filed a formal complaint at Docket No. C-2018-3004291 (Water) and Docket No. C-2018-3004311 (Wastewater) in the above-captioned proceedings. PWSA, in lieu of filing an answer, relied upon 52 Pa. Code § 5.61(d).<sup>5</sup>

15. Consistent with the First Interim Order on Public Input Hearings,<sup>6</sup> Public Input Hearings were advertised by PWSA and held on September 4 at 1:00 and 7:00 PM (Allegheny Center Alliance Church), September 5 at 7:00 PM (Kingsley Community Center) and September 6, 2018 at 7:00 PM (Jeron X. Grayson Community Center).

16. Peoples Natural Gas Company LLC ("Peoples") filed a formal complaint (C-2018-3004864) in the above-captioned proceedings on September 21, 2018. PWSA filed preliminary objections and an answer to said complaint on October 5, 2018. On October 5, 2018, Peoples filed an amended complaint. On October 15, 2018, PWSA filed preliminary objections and an answer to the amended complaint. On October 24, 2018, Peoples filed a

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<sup>4</sup> <http://www.puc.state.pa.us/pcdocs/1585533.pdf>.

<sup>5</sup> <http://www.puc.state.pa.us/pcdocs/1585533.pdf>.

<sup>6</sup> <http://www.puc.state.pa.us/pcdocs/1581347.doc>.

petition to withdrawal its complaint. No objections were filed to said Petition, which was granted on November 14, 2018.

17. On September 25, 2018, I&E, OCA, OSBA, UNITED, PAWC and Peoples<sup>7</sup> served their written direct testimony and exhibits.

18. On September 28, 2018, DLC filed a formal complaint (C-2018-3005022) in the above-captioned proceedings. PWSA filed an Answer to said Complaint on October 11, 2018.

19. On October 26, 2018, PWSA, I&E, OCA, OSBA and UNITED served their written rebuttal testimony and exhibits.

20. On November 8, 2018, I&E, OCA, OSBA and UNITED served their written surrebuttal testimony and exhibits.

21. The parties engaged in substantial formal and informal discovery in support of their respective positions.

22. Joint Petitioners held numerous settlement discussions over the course of this proceeding. As a result of those discussions and the efforts of Joint Petitioners to examine the issues in the proceeding, Joint Petitioners have been able to agree to a full Settlement and were able to advise the ALJs – prior to the start of the evidentiary hearing – that they had achieved a settlement.

23. On November 14, 2018, an evidentiary hearing was held with all parties in attendance. All parties waived cross-examination. All pre-served testimony and exhibits were entered into the record by stipulation.

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<sup>7</sup> Testimony filed by Peoples was not admitted into the record as explained in Paragraph 16 of this Joint Petition.

### III. TERMS AND CONDITIONS OF SETTLEMENT

PWSA's July 2, 2018 base rate increase filing will be approved as filed except as follows:

#### A. Revenue Requirement

1. Rates will be designed to produce an increase in annual operating revenues of \$21 million rather than the increase of \$27 million in retail user revenue proposed by PWSA in its initial filing. The increase will adjust water and sewer rates in same proportion as per PWSA's initial filing. This amount includes funding for the Bill Discount Program as set forth below in Paragraph III.F.2 of this Settlement.
  - a. For the purposes of this case only, the Parties agree that the rates and Tariff agreed to in the Settlement Agreement may become effective as early as January 1, 2019; the Parties hereby request that the Commission review and approve the Settlement Agreement and any Recommended Decision approving the Settlement Agreement on a time frame that would enable rates to become effective on or after January 1, 2019 or as soon thereafter as practicable.
2. PWSA will provide quarterly reports to the Parties until the next base rate case is filed. These reports will include quarterly and cumulative year-to-date data, including the following:
  - a. PWSA will track and categorize monthly expenses and provide this information in the same format as shown in Filing Requirement III.1;
  - b. Updated Answers to OCA-XIV-10 and to OCA Informal Data Request 9/5/18, Attachment A, regarding Filled Vacancies;
  - c. Data on lead service line replacements, including number of replacements completed and location of replacements by providing a copy of the report that PWSA submits to PA DEP per the November 17, 2017 Consent Order and Agreement;
  - d. Actual debt service and new debt in the format of the Future Debt tab in PWSA's Rate Case Model;
  - e. Quarterly reports will be provided to the parties within 30 days of the end of each quarter; and
  - f. To the extent that PWSA's actual 2019 actual revenues net of expenses produce a surplus greater than its FPFTY projections as reflected in subsections a through d above, PWSA agrees to use the excess in its discretion, to: i) add to its year end "days cash on

hand”; ii) pay down its operating or construction line of credit; and/or iii) repay an item in PWSA’s borrowing portfolio. PWSA agrees that it will provide a report to the Parties detailing the amount of the excess, the use of the funds, and the rationale for the use of the funds no later than April 1, 2020.

**B. Revenue Allocation And Rate Design**

1. The settlement rate increase shall be allocated as proposed by OCA witness Scott Rubin, with approximately the same proportionate increase to all existing rates (approximately a 17.3% increase in all water rates and approximately a 7.4% increase in wastewater rates).
2. PWSA agrees to use at least two years of billing data in the next base rate case and agrees to use at least three years of billing data in future base rate cases as a general standard. If PWSA or any other party to future base rate cases deviates from the use of the three years of data, that party must establish that such deviation is warranted.
3. PWSA agrees to allocate costs to wholesale water customers as part of its CCOSS in the next base rate case; however, PWSA does not necessarily agree to make any changes to the rates for wholesale water customers if unable to do so due to the need to honor the terms of existing contracts.
4. PWSA agrees to show the cost of public fire hydrants service separately in the next base rate case. As discussed below in Paragraph III.H.6 of this Settlement, the timing of a proposed public fire hydrant rate will be considered in the Compliance Filing Proceeding.
5. In its next base rate case PWSA agrees to separately identify uncollectible accounts expense by class and allocate those costs in the water and wastewater cost of service studies to the various customer classes.
6. In its next base rate case PWSA agrees to gather detailed customer class consumption data necessary to implement class specific max-day and max-hour adjustment factors.
7. In its next base rate case PWSA agrees to propose the removal of the minimum usage allowances, provided that such removal does not result in an unreasonable increase for affected customers, in which case PWSA will explain the basis for that belief and its alternative proposal in the filing.
8. PWSA agrees to submit a plan to address infiltration cost remediation, to the extent such costs are known and relevant, in the next wastewater base rate case and to provide data to allocate infiltration costs to customer classes in future cost of service studies.

9. To the extent the overall rate increase is reduced, PWSA agrees that there should be a proportionate increase for wholesale customer class customers, to the extent permitted by the existing contracts.<sup>8</sup>
10. The parties agree that no precedent has been established in this base rate case for the allocation and recovery of low income assistance program costs and lead service line replacement costs. Parties reserve the right to make proposals regarding cost allocation for lead service line replacement programming and low income programming in PWSA's next rate proceeding.

**C. Infrastructure/Operations/Lead**

1. PWSA will receive approximately \$50 million (in grants and a loan) from PennVEST to replace lead service lines in 2019 and into 2020. With these funds, PWSA expects to replace approximately 3,400 public-side lead service lines and 2,800 private-side lead service lines in several neighborhoods, including Morningside, Homewood, Perry, Mt. Washington, Southside, Northside and Greenfield. With respect to PWSA's lead service line replacement and lead remediation program and activities:
  - a. PWSA agrees to form a Community Lead Response Advisory Committee (CLRAC) consisting of interested parties from this proceeding, representatives from local community groups, and a public health expert to be agreed upon by the parties to advise PWSA. PWSA will provide administrative support for the Committee, but its staff will not occupy CLRAC seats. The initial term of the CLRAC will be two years, subject to being extended at PWSA's discretion. The Committee will hold quarterly meetings with PWSA staff, with the first meeting to be held within 30 days of the signature date of this settlement. All meeting minutes will be publicly available. At the CLRAC quarterly meetings PWSA will provide status updates, including updates on lead service line replacements and lead remediation efforts planned or conducted pursuant to the directives of the Pennsylvania Department of Environmental Protection, PWSA's agreement with PennVEST, and PWSA's small diameter water main replacement program. PWSA's updates will include at least a description of current lead remediation program costs, plans for neighborhood selection and prioritization for service line removal, and community outreach efforts. The CLRAC will provide consultation and feedback on PWSA's lead service line replacement program and lead

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<sup>8</sup> This reduced level of revenues is reflected in the Proof of Revenues (Exh. 3) – under the “Other Revenues” section.



remediation efforts in 2019 and 2020. For 2019, these issues include but are not limited to the following:

- i. Within 90 days of the effective date of rates, PWSA will develop and implement a plan, in consultation with CLRAC, to encourage greater participation in PWSA's replacement program and reduce the number of property owners who refuse to have their private-side service line replaced. PWSA will begin to track customers' reasons for rejecting service line replacements including by recording on a quarterly basis: (a) the number of customers who consented, who failed to respond, and who explicitly refused to consent and (b) the reasons provided by non-consenting customers. PWSA will provide this information to CLRAC on a quarterly basis.
- ii. Within 90 days of the effective date of rates, PWSA will make all historical service line records available for public viewing on its website map. In addition, PWSA will make its best efforts to send a letter notifying the resident and property owner of the results of a curb box inspection conducted at the relevant address within 90 days of the completion of the inspection, but no later than 120 days. The existing notification letter that PWSA uses will be shared with CLRAC for feedback no later than CLRAC's first meeting.
- iii. Within 90 days of the effective date of rates, PWSA will present to the CLRAC an analysis of its per-line costs for replacing lead service lines to facilitate a discussion of the drivers of those costs. The analysis and discussion will include any cost differences between work conducted by outside contractors versus PWSA work crews, an exploration of why trenchless methods are used more frequently for private-side replacements than public-side replacements, and any cost information within PWSA's possession or that it is able to obtain from other utilities who have implemented service line replacement programs. PWSA will consider suggestions for methods of reducing those costs provided by CLRAC.
- iv. Within 90 days of the effective date of rates, PWSA will develop and implement a plan in consultation with CLRAC and the Low Income Assistance Advisory Committee to:
  - (a) encourage greater participation in its customer requested lead sampling program. PWSA will



continue to provide NSF-certified filters free of charge, prior to service line replacement, to households with water sample results that exceed lead levels of 15 ppb. So long as a customer collects and submits a water sample every six months, PWSA will continue to provide replacement cartridges, free of charge, until tap water samples are below 15 ppb lead concentration at the 90<sup>th</sup> percentile for two consecutive 6-month periods of tap water monitoring conducted pursuant to the Lead and Copper Rule; and

- (b) to provide NSF-certified filters and replacement cartridges until December 31, 2019, free of charge and prior to service line replacement, to households that qualify for an existing PWSA customer assistance program at properties where the public- and/or private-side service lines are made of lead or unknown material based on PWSA's historical records or curb-box inspection results. An outreach program to notify customers of their eligibility for a filter will be developed in partnership with the CLRAC and Low Income Assistance Advisory Committee but will include, at a minimum, one letter or bill insert will be sent by PWSA to eligible households.

- v. Within 90 days of the effective date of rates, PWSA will develop and implement a plan, in consultation with CLRAC, for prioritizing lead service line replacements where curb box inspections are completed among the portions of the neighborhoods of Morningside, Homewood, Perry, Mt. Washington, Southside, Northside and Greenfield, based on a set of health-protective factors including blood lead levels, water lead levels, water main age, parcel age, census data on race and income (to the extent data is available) curb box inspection results, and data on homes with pregnant women (to the extent data is available) and young children, with the goal of targeting neighborhoods containing higher concentrations of at-risk households. Any lead service line replacement conducted by PWSA outside of the neighborhoods listed above will be prioritized, in consultation with CLRAC and within the constraints set by PennVEST, based on the same health-protective factors.

- vi. Within 90 days of the effective date of rates, PWSA will prepare a study in consultation with CLRAC on the feasibility of including all lead service lines, including private-side-only lead service lines, in PWSA's 2019 lead service line replacement program and 2020 - 2026 small diameter water main replacement program.
- b. To minimize the number of partial lead service line replacements, PWSA will maintain through 2019 its current outreach procedures for obtaining customer consent (which include at least one mailing, follow-up telephone calls from the Lead Help Desk, and an in person visit from a Field Liaison), and its current post-partial lead service line replacement sampling and filter-provision measures. PWSA will consult with the CLRAC regarding adoption of additional or modified outreach and post-replacement procedures for 2019. In 2019, PWSA will conduct partial replacements of lead service lines only under the following circumstances:
  - i. In emergency circumstances (e.g. when repairing service line or water main leaks, when damage to other infrastructure (such as a sewer pipe) requires a service line to be replaced, when PWSA needs to turn off the water and the curb stop is broken (requiring replacement of the line to install a valve));
  - ii. Where a property owner who also resides at the property signs a formal agreement stating that they do not consent to a free private-side lead service line replacement and that they understand the risks of a partial replacement;
  - iii. When a water main relay project is being completed and a customer does not consent to a private lead service line replacement or does not respond to PWSA's requests for a response; or,
  - iv. When a water main is being abandoned, the customer's water service must be moved to another water main, and the customer does not consent to a private lead service line replacement or does not respond to PWSA's requests for a response.
- c. PWSA will consult with the CLRAC regarding whether and how to seek authorization from the City of Pittsburgh to compel private-side lead service line replacements when a property owner who does not reside at the property declines a free private-side lead service line replacement. If PWSA cannot resolve this issue with the City by the time PWSA begins conducting lead service line

replacements in 2019, for the 2019 program, PWSA will not conduct a non-emergency partial service line replacement at residences where the property owner who does not reside at the property declines a no-cost private-side replacement.

- d. For the 2019 lead service line replacement program:
  - i. PWSA will consult with the CLRAC regarding whether to ask the City of Pittsburgh to establish a process through which partial lead service line replacements conducted by PWSA are documented in the property record for the relevant address. If such a process is established, property owners will be notified by PWSA that their refusal will become part of the property record when their consent is sought for a no-cost private-side replacement.
  - ii. PWSA will record and make publicly available on its website mapping the locations of all service line replacements conducted by PWSA to date and planned for the work orders. PWSA's webmap will be updated at least on a monthly basis.
  - iii. PWSA will continue replacing private-side lead service lines (assuming customer consent is provided) at no cost to customers when replacing public-side lead service lines.
  - iv. PWSA will continue to make a good-faith effort to secure an agreement with PennVEST enabling it to obtain customer consent for private-side lead service line replacements at any point before PWSA completes lead service line replacements for the work order covering the customer's property. If PWSA secures this agreement from PennVEST, it agrees to apply its current outreach procedures for obtaining customer consent as well as any additional or modified outreach procedures developed in consultation with the CLRAC.
  - v. PWSA will continue to provide residents who have had their service lines replaced with water testing kits and NSF-certified filters and six months of replacement cartridges at no cost immediately after replacement.
- 2. PWSA agrees to submit a Section 500 form as part of its Annual Report to the Commission.

#### **D. Customer Service Issues**

1. Any agreements regarding the policies and procedures referenced in this Settlement are without waiver of PWSA's view that its current policies are already compliant with all applicable regulatory and legal requirements or of the right of parties to challenge PWSA's policies, practices, and procedures in the Compliance Plan proceeding or other future proceedings.
2. PWSA agrees to continue its practice of tracking informal complaint information. PWSA will conduct a regular review of this information to determine complaint trends and whether there is a need to implement additional or new internal training policies, as described in OCA St. 3, pp. 9-10. PWSA will work with the parties to determine an appropriate informal complaint tracking information review process. PWSA also agrees to track whether customer complaints are related to water, sewer, or stormwater.
3. PWSA is in the process of modifying its bills to provide more detailed information on rates and approved tariff charges. PWSA will provide interested parties and the Commission's Bureau of Consumer Services with a draft of the changes for feedback and recommendations. Parties are free to offer suggestions for improvements to the draft language. If requested by any party after review of the draft bill changes, PWSA will host a collaborative meeting with the parties to discuss its bill modification plans prior to rolling out its modified bills. Sufficient time will be allotted to allow PWSA to consider and assess recommendations and implement agreed-to changes. PWSA's revised bills will contain at least the following elements:
  - a. Eliminate the requirement that a customer must dispute charges in writing.
  - b. Identify, explain, and itemize the actual rates charged for each component of the bill.
  - c. Identify and itemize the monthly installment amount for any existing payment arrangements.
  - d. Include the installment amount for any existing payment arrangements in the total due / asked to pay amount.
  - e. Direct customers to PWSA's webpage which specifically sets forth fees associated with various bill payment options.
4. PWSA will continue its practice of issuing written confirmation of payment arrangement terms. PWSA will add this practice to its customer service training materials.

5. PWSA will revise its 3-day and 48-hour termination notices to clarify that all residential customers have the right to negotiate a payment plan to avoid termination of service. This will be accomplished by moving the language on the availability of the payment plans from the "Medical Emergency Notice" section into the general section of the notices.
6. PWSA will inform customers of the payment arrangement terms based on the consumer's ability to pay upon contact with the customer. PWSA will offer payment arrangements as permitted by Chapter 14. PWSA acknowledges that Chapter 14 does not apply to victims of domestic violence with a Protection From Abuse Order (PFA) or other court order containing clear evidence of domestic violence and will offer these customers payment arrangement terms based on their individual circumstances, regardless of any existing or future internal policy about payment agreement length. Payment arrangements for victims of domestic violence with a PFA or other court order containing clear evidence of domestic violence may exceed the standard term lengths based on the consumers' individual facts and circumstances.
7. PWSA will reform its internal medical certificate policies to provide the following:
  - a. All PWSA employees will continue to be trained to temporarily stop termination of service if they are informed that a member of the household is seriously ill or requires service to treat a medical condition, and that the household is seeking to obtain a medical certificate.
  - b. PWSA will not terminate service for non-payment when presented with an approved initial medical certificate as defined by 66 Pa. C.S. § 1403.
  - c. Additional medical certificates will be accepted to prevent termination of service so long as a customer pays their current bills for service, not including any underlying arrearages. PWSA will not limit the number of times a customer can renew a medical certificate if the customer keeps up with their current bills while protected by a medical certificate, but will actively work with the customer to establish an equitable payment arrangement to otherwise address the underlying arrears and resolve the termination.
  - d. If a customer with a medical certificate fails to pay their current bills while protected by a medical certificate, only two additional renewals will be accepted to stop termination.

- e. Once an outstanding balance is paid, PWSA will accept a new medical certificate to prevent a subsequent termination of service based on a new balance, subject to the same renewal requirements outlined in subparts (b) through (c).
  - f. PWSA will inform consumers of the payment obligations for medical certificate renewals at the time a medical certificate is submitted.
8. PWSA will reform its internal policies governing complaint procedures to clarify that its dispute process is available to current customers, applicants for service, and tenants and/or occupants not listed on the current bill. When providing information to consumers about the Commission's complaint process, PWSA will train its customer service representatives to not evaluate or express a subjective view about the efficacy of an individual's Inquiry/Dispute/Informal/Formal Complaint or an opinion about whether or not he or she may have an actionable claim against PWSA.
  9. When a tenant exercises their right to continued service pursuant to DSLPA, PWSA will accept as proof of identification any document issued by a public agency or public utility which contains the name and address of the tenant.
  10. PWSA will create a new form for owners desiring to voluntarily discontinue service to a residential property occupied by a tenant. The new form will comply with the requirements of DSLPA, including the requirement that the property owner submit a notarized document swearing under penalty of perjury that the unit is unoccupied, consistent with the requirements of DSLPA.
  11. PWSA commits to making the changes identified in Paragraphs III.D.1 through III.D.10 above consistent with the timeframes established by the final order in this proceeding and to provide a copy of the changes to the Low Income Advisory Committee to be established pursuant to Paragraph III.F.3 of this Settlement.

#### **E. Tariff Issues**

1. PWSA will revise its wastewater tariff to make it clear that dual water/wastewater customer will not be assessed the same fee twice.
2. PWSA will revise Part III, Section C, subpart (3)(j)(v) of its water and wastewater tariff to clarify that provision of 72-hour notice of termination by electronic mail will only occur if the customer's express written consent to accept service in this matter has been received by PWSA. If electronic notice of termination is returned as undeliverable, PWSA will provide alternative 72-hour notice consistent with subpart (3)(J)(v) of its

approved water and/or wastewater tariff. PWSA agrees to revise this provision of its water and wastewater tariffs, and will make further revisions if necessary to be consistent with any requirements established by the Commission in its Chapter 56 rulemaking.

3. PWSA will revise its tariff regarding medical certificates to clarify that it will accept medical certificates from physician assistants.
4. PWSA will relocate the collections expenses and fees described in Part I, Section G from its proposed water and wastewater tariffs and list them in PWSA's Supplemental Service Conditions.
5. On the basis of PWSA coming under the jurisdiction of the Pennsylvania Public Utility Code and the Commission's regulations PWSA agrees to suspend the use of Jordan Tax Service upon the effective date of the Commission's final order approving this settlement.
6. PWSA will not require a tenant who applies for service to assume liability for debt previously accrued at the property for which the tenant was not residing and/or for which the tenant was not on the mortgage, deed, or lease as a condition to establishing service.
7. PWSA will revise its training materials and, to the extent necessary, its water and wastewater tariff to be clear that it does not require low income customers who are eligible for PWSA's Bill Discount Program to submit a security deposit.

**F. Low-Income Customer Issues**

1. PWSA will immediately begin additional data collection, including:
  - a. The amount of billed revenue;
  - b. The amount of receipts actually collected;
  - c. The number of accounts in arrears;
  - d. The dollars of arrears;
  - e. The number of accounts disconnected for nonpayment;
  - f. The number of accounts receiving a notice of disconnection for nonpayment;
  - g. The number of bill discount participants who entered the bill discount program with unpaid account balances;



- h. The dollars of unpaid account balances for bill discount program participants at the time those participants entered the bill discount program;
- i. The number of bill discount participants by agreed-upon poverty ranges;
- j. Average usage (along with average bills, including ALCOSAN charges in wastewater bills);
- k. The number of PWSA customers receiving a PWSA hardship grant and the average amount of the grant; and
- l. The average arrearage of PWSA customers receiving a PWSA hardship grant.

Further, PWSA agrees to consult with the Dollar Energy Fund regarding the availability of data on the income of BDP participants.

- 2. PWSA agrees to fund the BDP to reflect the approved rates in this proceeding. The increase in operating revenues reflects an additional amount of funding allocated to fund customer assistance programs.
- 3. PWSA agrees to form a Low Income Assistance Advisory Committee (“Advisory Committee”), consisting of interested parties from this proceeding, the PUC Bureau of Consumer Services, Dollar Energy Fund, and local community and social service groups, subject to the understanding that each interested party may have no more than two representatives participating on the Advisory Committee. The initial term of the Advisory Committee will be two years, subject to being extended at PWSA’s discretion. The Advisory Committee will hold quarterly meetings, with the first meeting to be held within 90 days of the effective date of rates in this proceeding, to review program metrics and provide input and feedback on program terms and conditions and outreach documents. PWSA will have full discretion as to whether to accept feedback from the Advisory Committee, and, as required, submit proposals to the Commission for approval. Issues that will be addressed by the Advisory Committee include, but are not limited to:
  - a. improving outreach and messaging for programs;
  - b. launching a social media campaign;
  - c. assessing the feasibility and associated costs and benefits to transition the bill assistance program to a percentage of income program or a tiered discount program based on income levels; with a comprehensive arrearage forgiveness component to address arrears at the time of enrollment;



- d. assessing applicable data;
  - e. developing efforts to fund the Hardship Cash Assistance Program on an ongoing basis;
  - f. exploring issues related to the structure of the Hardship Cash Assistance Program, including the income threshold, payment requirement, exceptions to the payment requirement, social security number requirement and inclusion of child support as income; and
  - g. reviewing changes to PWSA customer service policies and procedures identified in Paragraphs III.D.1 through III.D.10 of this Settlement.
  - h. funding bill assistance program with separate bill assistance budgets estimated for water and wastewater populations.
4. PWSA will revise its Bill Discount Program rate to provide for a 75% discount on the minimum water and/or wastewater charge for customers with income at or below 150% of the federal poverty level.
- a. As part of PWSA's next base rate proceeding, PWSA will submit a detailed Plan which outlines the program parameters for each of its Low Income assistance programs. The Plan will include the following:
    - i. The eligibility parameters, benefits, budget, and needs assessment for each existing and/or proposed program, including but not limited to the Bill Discount Program (consistent with subsections v-vii below), the Winter Moratorium, the Hardship Fund Program, and the line repair and conservation program (consistent with subsection (iv) below);
    - ii. Planned outreach activities;
    - iii. A proposal for how to address all consensus issues adopted by the Low Income Assistance Advisory Committee;
    - iv. A newly proposed line repair and conservation program, which targets PWSA's highest users and is coordinated with PWSA's other assistance programs and similar usage reduction programs operated by other public utilities operating within PWSA's service territory;
    - v. Details of the average bill for customers with household income at or below 50% FPL; between 51-100% FPL; and

between 101-150% FPL, separated into water and wastewater average bills, to the extent that such data is made available to PWSA by the Dollar Energy Fund.

- vi. A proposal as to whether to make revisions to the Bill Discount Program which are aligned with the newly designed rate structures, separated into water and wastewater programs, and further providing for enhanced Bill Discount Program benefits for customers at or below 50% of the federal poverty level.
- 5. Through Dollar Energy Fund ("DEF") and the Community-Based Organizations ("CBOs"), PWSA will continue to request that applicants for its Hardship Cash Assistance programs produce proof of the ratepayer's Social Security Number ("SSN") as a condition of application to the program. However, if the applicant is unable or unwilling to produce such proof, DEF and the CBOs will follow their current practice of checking the "no SSN" box and processing the application without requiring an SSN. Further revisions to PWSA's SSN policy will be addressed consistent with Paragraph III.F.3.f of this Settlement.
- 6. Relating to program outreach efforts, PWSA agrees to continue its current outreach efforts, including but not limited to: (i) screening for eligibility during all credit-related calls; (ii) utilizing a referral or warm transfer process to Dollar Energy Fund; (iii) coordinating with other utilities that participate in the Western Pennsylvania Utility Group; and (iv) supporting Dollar Energy Fund's efforts to actively recruit customers with existing debt to enroll in the bill assistance program or apply for a grant. PWSA will continue these outreach activities unless it determines to modify or terminate them, subject to Commission approval, as required.

#### **G. Contractual Issues**

- 1. PWSA agrees that the following issues will be investigated in the Compliance Filing Proceeding; and further agrees as follows:
  - a. PWSA Services Contract with the City of Pittsburgh
    - i. As part of the agreement to investigate this issue in the Compliance Filing Proceeding, PWSA agrees to the following conditions:
      - (a) PWSA agrees to provide all parties with quarterly updates on the status of any negotiation with the City of Pittsburgh to renegotiate the Cooperation Agreement between them.

- (b) PWSA agrees to continue to renegotiate the Cooperation Agreement with the City of Pittsburgh in good faith.
- (c) PWSA agrees to formally notify the City of Pittsburgh of the record and outcome of this case, that the Cooperation Agreement is being reviewed by the PUC in the Compliance Filing proceeding, and that PWSA's LTIP Filing is pending with the Commission. In order to comply with this term, PWSA agrees that it will do the following:
  - (1) serve the City with a copy of the full record of this proceeding (barring any confidential materials) as of the date of the close of the record and file a certificate of service with the Commission verifying that such service was made by no later than December 1, 2018;
  - (2) serve the City with a copy of the Recommended Decisions and Final Commission Orders issued in this matter within 10 days of their issuance and file a certificate of service with the Commission verifying that such service was made;
  - (3) serve the City with a copy of its Compliance Filing and its LTIP filing by no later than January 4, 2019 and file a certificate of service with the Commission verifying that such service was made;
  - (4) to the extent that PWSA revises, supplements, or re-files its Compliance Filing and/or LTIP Filing, it agrees to serve the City with a copy of such filings at the same time that other parties are served and to include the City on the certificate of service that PWSA must file with the Commission.
- (d) If the City of Pittsburgh and PWSA reach an agreement for an Amended Cooperation Agreement, all parties to this proceeding will be notified of the Agreement within 15 calendar days

of its execution and provided with a copy of the renegotiated Cooperation Agreement;

- (e) PWSA understands that in its next base rate case, I&E may recommend the disallowance of any payments to the City of Pittsburgh claimed pursuant to the Cooperation Agreement or any renegotiated Cooperation Agreement for services unless those services are supported by invoices that have complete documentation to show valid details of the charges incurred including date of service, identification of the service provided, and itemization of the costs.; and
- (f) PWSA understands that in PWSA's next base rate case, I&E reserves the right to impute revenues to PWSA for the provision of any free service to the City, including but not limited to free water, free wastewater, and unbilled public fire hydrant charges. This acknowledgement does not waive any Party's right to oppose any such adjustment from a legal, regulatory or public interest standpoint.
- (g) PWSA agrees that discussion in the Compliance Filing will include a breakdown of estimated services received from the City of Pittsburgh and the associated costs, including the reasonableness of each cost. PWSA will also provide this information any claims in the next rate case.

b. Billing Arrangement with ALCOSAN

- i. As part of the agreement to investigate this issue in the Compliance Filing Proceeding, PWSA agrees to the following conditions:
  - (a) PWSA will amend its Compliance Plan to reflect its commitment to evaluate the potential ways to address PWSA's contract with ALCOSAN, including renegotiation of the contract. PWSA also agrees to evaluate in the Compliance Plan the allocation of flows to ALCOSAN (and other municipalities) and whether it is feasible to measure stormwater separately from wastewater. In the Compliance Plan, PWSA will also propose a plan/method for developing separate cost of service

studies for wastewater and stormwater for the development of stormwater rates.

- ii. If the ALCOSAN and PWSA reach an agreement for a new contract, all parties to this proceeding will be notified of the agreement and provided with a copy of the renegotiated agreement within 15 calendar days of its execution.
- c. City of Pittsburgh Discount for Pennsylvania-American Water Company ("PAWC") water customers as originated under the terms of the 1973 Agreement between the City of Pittsburgh ("City") and Western Pennsylvania Water Company (predecessor to PAWC)
  - i. As part of the agreement to investigate this issue in the Compliance Filing Proceeding, the parties agree to the following conditions:
    - (a) In PWSA's next base case, I&E will recommend the termination of the City of Pittsburgh discount for PAWC water customers. In the event that PAWC files a base rate case before PWSA, I&E may elect to address and oppose the City of Pittsburgh Discount for PAWC water customers in PAWC's rate case. This acknowledgement does not waive any Party's right to oppose any such adjustment or to challenge it from a legal, regulatory or public interest standpoint.
  - ii. I&E reserves the right to address the City of Pittsburgh Discount in any complaint proceeding that it may elect to initiate against PWSA, PAWC, or any other entity it deems necessary in order to ensure compliance with the Public Utility Code.
- d. PWSA's collection arrangement with Jordan Tax Service to ensure that all collection activities conform with the Public Utility Code and the Commission's regulations applicable to residential customers.

**H. Long Term Infrastructure Improvement Plan (LTIIIP) and Other Compliance Plan Issues<sup>9</sup>**

**Consolidation of Compliance Plan and LTIIIP**

1. Within 30 days of the signature date of this Settlement, PWSA agrees to file a Petition with the Commission to consolidate its Compliance Plan and LTIIIP.
2. PWSA agrees that it has the burden of proof in the Compliance Plan proceeding to show that every element of its Compliance Plan, and the policies and procedures described, referenced, or referred to therein, is just and reasonable, is consistent with all applicable laws, regulations, and policies, and is in the public interest.
3. PWSA will not object in the Compliance Plan and/or LTIIIP proceeding to the admission of any testimony, documents, or answers to interrogatories exchanged throughout the course of this proceeding.
4. PWSA will revise its Compliance Plan and LTIIIP within 30 days of the Commission's entry of a final order in this proceeding or submission of direct testimony in the Compliance Plan / LTIIIP proceeding, whichever is sooner, in compliance with the terms of this settlement. PWSA agrees to provide supplemental information about its internal policies, procedures, and processes, including at a minimum:
  - a. A description of PWSA's requirements for residential service;
  - b. PWSA's collections policies;
  - c. Service termination procedures for each type of customer class;
  - d. Policies and practices with respect to Protection From Abuse Orders or other court orders;
  - e. Call center metrics;
  - f. Data points regarding Low Income Assistance Programs, and a description of the policies and practices governing application, enrollment, eligibility, and benefits for each program;

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<sup>9</sup> By agreeing that these issues will be investigated in the Compliance Plan no party is waiving the right to raise additional issues therein. The lists in this Settlement supplement the list of issues that PWSA has already included in its Compliance Plan filed September 28, 2018. The lists in this Settlement do not withdraw any of the issues presently identified in the Compliance Plan, nor do they supersede the right of any party to raise any relevant issue in the Compliance Plan proceeding.

- g. Line extension fee structure;
- h. Future plans regarding the Highland No. 1 Reservoir and the Highland Membrane Filtration Plant ("HMFP");
- i. PWSA further agrees that, apart from investigation in the Compliance Plan/LTIIP proceeding, and until the filing of its next base rate case, PWSA will provide a detailed cost breakdown, including:
  - (a) Actual and projected operating and capital costs to date incurred and estimated to be incurred as a result of the October 25, 2017 Department of Environmental Protection Administrative Order with regard to the HMFP; and
  - (b) Actual and projected operating and capital costs on a calendar year basis incurred and estimated to be incurred to operate the HMFP.
  - (c) The cost breakdowns detailed at Paragraphs III(a) & III(b) above will be provided to all Parties 1) starting within 30 days of the signature date of this Settlement, and on a quarter annual basis thereafter; and 2) upon completion of repairs of the HMFP.
  - (d) PWSA further agrees it will provide with its next base rate filing a cost/benefit analysis comparing continuing to operate the HMFP instead of covering and placing a physical barrier around Highland No. 1 Reservoir. Such an analysis shall include a detailed cost comparison of operating and capital costs, an evaluation of operating, costs and other consequences if the HMFP is no longer operated, as well as any other relevant legal, technical and policy analyses. PWSA's agreement to provide this information shall not be construed as PWSA's endorsement of a cost comparison analysis. All Parties agree a cost/benefit analysis will evaluate all relevant legal, technical and policy considerations, as well as a cost comparison.
- j. Public fire hydrant service.
- k. Reduction of uncollectibles.

**Issues to be investigated in Compliance Plan (not addressed above)**

5. PWSA agrees that, in the Compliance Filing Proceeding, it will consider the proposal to assess the City of Pittsburgh a separate rate for public fire hydrant service and the timeframe for doing so including, but not limited to, in its next base rate case.
6. In the Compliance Plan Proceeding, PWSA agrees to consider the proposal for a flat rate for both water and wastewater for all unmetered and unbilled municipal and government properties or buildings served by PWSA, for inclusion in the next base rate case.
7. PWSA agrees that the following infrastructure/operations/lead issues will be investigated in the Compliance Plan or LTIIP proceedings.
  - a. Measuring and remediating PWSA unaccounted for/non-revenue water.
  - b. Records for estimated flows used for blow-offs, street sweeping, flushing, firefighting, and main breaks, etc.
  - c. Conducting leak surveys.
  - d. Compliance with 52 Pa. Code Chapter 65 including:
    - i. Addressing high pressure.
    - ii. Exercising all isolation valves.
    - iii. Schedule for flushing the system.
  - e. Metering
    - i. Plan to deal with "Party Line" service.
    - ii. Metering and billing of all City water/wastewater locations including, but not limited to: (i) public fire hydrants; (ii) wastewater; and (iii) water.
    - iii. Plan to track age of customer meters and to test and/or replace meters over 20 years old.
  - f. Development of operating metrics for infrastructure improvement projects
  - g. Cost Effectiveness of dollars spent for infrastructure improvement.
    - i. The plan developed to track cost effectiveness will also include a plan for cost reporting relative to projections so



that parties and the Commission can evaluate the accuracy of those projections in future filings.

- h. Risk Assessment Model for identifying priority of water and sewer projects.
- i. A plan to adopt and track the 20 operating metrics identified in I&E St. No. 4, p. 5:
  - i. pipeline materials;
  - ii. pipeline age;
  - iii. leak history per mile;
  - iv. pipeline pressures;
  - v. installation year;
  - vi. pipeline diameter;
  - vii. pipeline mileage (distribution and services);
  - viii. addition/retirements of plant;
  - ix. materials and supplies;
  - x. leak repair;
  - xi. pipeline damages from excavation;
  - xii. plant in service;
  - xiii. corrosion protection programs;
  - xiv. lead levels;
  - xv. miles of lead pipelines;
  - xvi. cost of lead pipeline replacement (PWSA work crews and contractors);
  - xvii. sanitary flow reduction;
  - xviii. miles of combined sewer separation;
  - xix. lost and unaccounted for water; and

- xx. any other pipeline metrics that would benefit the operator and the regulator in evaluating the operational viability and safety of the water and sewer systems.
  - j. An evaluation of whether the Pennsylvania Public Utility Code and the Commission's regulations preempt the Municipality Authorities Act as it relates to costs of line extensions and meters as discussed in PWSA St. 4, pp. 14-15, and as it relates to any other identified areas of conflict.
  - k. For lead service line replacement that take place after 2019, an evaluation of the issues described in Paragraphs III.C.a through III.C.1.d of this Settlement.
8. PWSA agrees that the following customer service issues will be further investigated in the Compliance Filing Proceeding, and agrees to provide an explanation of PWSA's current policies and practices related thereto in its Direct Testimony filed in the Compliance Plan Proceeding:
- a. Development of Call Center metrics.
  - b. Plan for improving Call Center performance.
  - c. PWSA compliance with the Discontinuance of Service to Leased Premises Act (DSLPA), 66 Pa. C.S. § 1521, *et seq.* and, to the extent to which the Utility Service Tenants Rights Act (USTRA), 68 P.S. § 399.1 *et seq.* remains applicable to PWSA.
  - d. PWSA's policies and procedures regarding consumers with a Protection from Abuse Order or other court order with clear evidence of domestic violence, pursuant to 66 Pa. C.S. § 1417.
  - e. PWSA's policies and procedures regarding initiation of new service or transferring service to new customers, and any associated payment obligations.
  - f. PWSA will provide data regarding payment processing fees assessed by its existing third party payment processor and will add the requirement to provide this data to PWSA in future RFPs for this service.
  - g. PWSA's policies and procedures regarding personal contact with an adult occupant at a residential property immediately prior to termination, pursuant to 52 Pa. Code § 56.94 -95 and 56.112.
9. PWSA agrees that PWSA's present line extension fee structure will be investigated in the Compliance Filing Proceeding.

10. Consistent with Paragraph III.G.1.d of this Settlement, the Compliance Plan proceeding will investigate whether PWSA's third party collection activities conform with the Public Utility Code and the Commission's regulations applicable to residential customers. PWSA also agrees to address the cost effective manner of collecting overdue payments as part of the Compliance Plan.
11. PWSA agrees that the contractual issues in Paragraph III.G.1 will be investigated in the Compliance Filing Proceeding.
12. PWSA agrees that the following low-income customer issues shall be investigated in the Compliance Filing Proceeding:
  - a. Revisions to PWSA's existing universal service programs, including its Bill Discount Program ("BDP") and Hardship Cash Assistance Program.
13. PWSA also agrees to consider future data collection and reporting requirements per OCA St. 4 at p. 23-24, during the Compliance Plan Proceeding.
14. By agreeing that any issue in Paragraphs III.H.4**Error! Reference source not found.** through III.H.13 above will be investigated in the Compliance Plan, no party is waiving the right to raise additional issues therein or withdrawing any of the issues presently identified in the Compliance Plan; nor does it supersede the right of any party to raise any relevant issue in the Compliance Plan proceeding. The parties to this Settlement reserve the right to contest PWSA's proposals, information or plans in the context of the Compliance Plan proceeding.

#### IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

24. This Settlement was achieved by the Joint Petitioners after an extensive investigation of PWSA's filing, including extensive informal and formal discovery and the filing of direct, rebuttal, and surrebuttal testimony by a number of the Joint Petitioners.

25. The Settlement Rates, as shown on Exhibits 1, 2 and 3, will allocate the agreed upon revenue increase to each customer class in a manner that is reasonable given the rate structure and cost of service positions advanced in the testimony and exhibits of the various parties.

26. The Joint Petitioners have each prepared their Statements in Support setting forth the bases upon which they believe that the Settlement will result in the establishment of rates, terms and conditions that are Commission-made, just and reasonable, and in the public interest.

27. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

- (a) **The Settlement Provides A Reasonable Resolution.** The Settlement represents a balanced compromise of all of the active parties in this proceeding and is a reasonable resolution of PWSA's claims for increased rates while balancing the interests of ratepayers and the public. The Settlement provides for a general rate increase of \$21 million in user charge revenues, in lieu of the \$27 million in additional user charge revenues originally requested by PWSA. The Settlement Rates will establish customer rates and allocate the agreed upon revenue requirement to each customer class in a manner that is reasonable in light of the rate structure and/or cost of service positions of all Joint Petitioners.
- (b) **Substantial Litigation And Associated Costs Will Be Avoided.** The Settlement amicably and expeditiously resolves a number of issues, while expressly reserving a number of issues for further investigation as part of PWSA's currently pending Compliance Plan and LTIIP proceedings. The administrative burden and costs to litigate these matters to conclusion would be significant. Given the unique procedural posture of this proceeding, relative to the pending Compliance Plan and LTIIP proceedings, and the significant number of complex issues in light of PWSA's transition to Commission jurisdiction, the parties submit that this approach is Commission-made, just and reasonable, and in the public interest.
- (c) **The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements.** The Joint Petitioners arrived at the Settlement, including the Settlement Rates, after conducting extensive discovery and having in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa.Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

## V. ADDITIONAL TERMS AND CONDITIONS

28. The Commission's approval of the Settlement shall not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the

terms and agreements of the Settlement. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement the Settlement.

29. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any party in this or any other proceeding, if it were fully litigated.

30. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable. The Settlement is carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.

31. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or PWSA or any other Joint Petitioner elects to withdraw from the Settlement as provided above, each of the Joint Petitioners reserves their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

32. All Joint Petitioners shall support the Settlement, and will make reasonable and good faith efforts to obtain approval of the Settlement by the ALJs and the Commission without modification. The Joint Petitioners agree that such good faith efforts do not necessarily include opposing or responding to comments or oppositions to the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated the issues resolved by the Settlement and will result in the establishment of rates, terms and conditions that — until changed on a going-forward basis as provided in the Public Utility Code — are Commission-made, just and reasonable, and in the public interest.

33. If the ALJs, in their Recommended Decision, recommend that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement and respectfully request that, if an exception/reply exception period is set, an expedited period for the filing of exceptions or reply exceptions be established. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to: (a) any modifications to the terms and conditions of this Settlement; or (b) any additional matters proposed by the ALJs in their Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed. The Joint Petitioners further reserve the right to file Exceptions to the compliance filing in the event that any of the exhibits therein are inconsistent with the Settlement and the exhibits attached thereto, the Commission's Final Order, or pertain to issues upon which there was no settlement.


34. This Settlement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

35. A copy of the Settlement is being served upon the customer complainant by the OCA. The Joint Petitioners recognize that this Joint Petition does not bind the customer complainant. The OCA is serving a copy of this Joint Petition on the customer complainant and will advise the complainant that they may comment or object to the Joint Petition by a date certain by submitting the comment or objection to the presiding ALJs. Nothing herein is intended to limit in any way any position which any Joint Petitioner may take concerning any comment or objection to the Settlement that may be filed by the customer complainant.


WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the ALJs approve the Settlement as set forth herein, including all terms and conditions, without modification;
2. That the investigation into Docket No. R-2018-3002645 (Water) and Docket No. R-2018-3002647 (Wastewater), including the intervention of UNITED into this proceeding; **and**, the complaints associated with this proceeding by the OCA at Docket No. C-2018-3003165 (Water) and C-2018-3003173 (Wastewater), by the OBA at Docket No. C-2018-3003388 (Water) and C-2018-3003384 (Wastewater), by PAWC at Docket No. (C-2018-3003941, and by DLC at Docket No. C-2018-3005022, be marked closed.
3. The customer complaint of James Ferlo (Docket No. C-2018-3004291) associated with this proceeding will be dismissed and marked closed after consideration of any comments and/or objections to the Settlement that may be filed by Mr. Ferlo.
4. That the Commission, consistent with the Settlement, find the Settlement Rates to be Commission-made, just and reasonable, and in the public interest — until changed on a going-forward basis as provided in the Public Utility Code.
5. That the Commission enter an Order approving the Settlement, including the Settlement Rates, without modification, and permit PWSA to file the tariff supplement attached hereto as Exhibit 1 (Water) and Exhibit 2 (Wastewater) to become effective pursuant to the terms set forth therein for service rendered on January 1, 2019, or as soon as practicable thereafter.

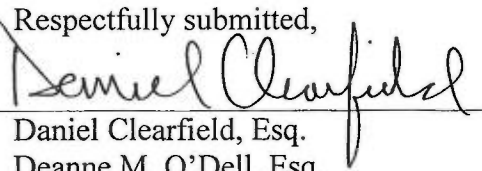


  
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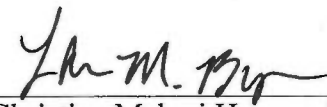
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# Appendix A

## Appendix A

### PROPOSED FINDINGS OF FACT

#### Background

1. The Pittsburgh Water and Sewer Authority (“PWSA” or “Authority”) is a municipal authority organized and existing under the laws of the Commonwealth of Pennsylvania. PWSA St. 1 at 2, 4.
2. PWSA is the largest combined water and sewer authority in Pennsylvania, producing an average of 70 million gallons of water daily. PWSA St. 1 at 2.
3. PWSA provides water service to approximately 80,000 residential, commercial and industrial customers in: portions of the City of Pittsburgh; the Borough of Millvale; and portions of Reserve, O’Hara, and Blawnox Townships, Allegheny County. PWSA St. 1 at 3, 7-8.
4. PWSA also provides wastewater conveyance service to customers located in the City of Pittsburgh, Allegheny County, and also conveys wastewater for portions of 24 neighboring communities. PWSA St. 1 at 3, 11-12. The wastewater collected by the PWSA system is conveyed to the Allegheny County Sanitary Authority (“ALCOSAN”) for treatment. PWSA St. 1 at 3.
5. PWSA’s water and wastewater operations became subject to regulation by the Pennsylvania Public Utility Commission (“PUC” or “Commission”) on April 1, 2018, pursuant to Act 65 of 2017, 66 Pa.C.S. § 3201 *et seq.* (“Chapter 32”).
6. Chapter 32 directed that initial tariffs be filed by July 2, 2018. *See* 66 Pa.C.S. § 3204(a); *Implementation of Chapter 32 of the Public Utility Code Re Pittsburgh Water And Sewer Authority*, Docket No. M-2018-2640802 and M-2018-2640803, Final Implementation Order entered March 15, 2018 at 44.

#### Procedural History

7. On July 2, 2018, the PWSA filed Tariff Water – Pa. P.U.C. No. 1 and Tariff Wastewater – Pa. P.U.C. No. 1 to become effective August 31, 2018 with the Commission (collectively, the “July 2, 2018 base rate increase filing”). Through this filing, PWSA requested that the Commission approve its new tariffs pursuant to Act 65 of 2017, 66 Pa.C.S. § 3201 *et seq.* PWSA proposed increases to water and wastewater total user charge revenues of approximately \$27.0 million per year over the amount of user charge revenues at present rates.<sup>1</sup> At that time, on July 2, 2018, PWSA also filed two petitions: a petition for consolidation of proceedings and for authorization to use combined water and

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<sup>1</sup> The July 2, 2018 base rate increase filing proposed to (a) increase PWSA’s total annual user charge revenues for water service by approximately \$21.38 million, or 22.01%; and, (b) increase PWSA’s total annual user charge revenues for wastewater conveyance service by approximately \$5.63 million, or 9.25%.

## Appendix A

wastewater revenue requirements; and a petition for waiver of the statutory definition of FPFTY to permit a FPFTY beginning January 1, 2019. *See* 66 Pa.C.S. § 315(e).

8. On July 5, 2018, the OCA filed a Notice of Appearance and Formal Complaint at Docket Nos. C-2018-3003165 (Water) and C-2018-3003173 (Wastewater) in the above-captioned proceedings.
9. I&E filed a Notice of Appearance on July 6, 2018.
10. On July 13, 2018, the OSBA filed a Notice of Appearance and Formal Complaint at Docket Nos. C-2018-3003388 (Water) and C-2018-3003384 (Wastewater) in the above-captioned proceedings.
11. On July 12, 2018, the Commission issued Suspension Orders in the above-captioned proceedings ordering investigations into the lawfulness, justness and reasonableness of the proposed rate increases. The Tariffs were suspended by operation of law until March 31, 2019, unless permitted by Commission Order to become effective at an earlier date.
12. A Prehearing Conference Order was issued on July 12, 2018, scheduling an initial prehearing conference for July 19, 2018.
13. On July 13, 2018, UNITED filed a petition to intervene and answer. At that time UNITED also filed two motions for admission *pro hac vice*.
14. On July 17, 2018, a prehearing conference notice was issued.
15. A prehearing conference was held on July 19, 2018. A litigation schedule was established along with modified discovery rules. *See* 52 Pa. Code §§ 5.341 et seq.
16. On July 20, 2018, the ALJs issued a Prehearing Order memorializing the schedule and other matters decided and agreed upon by the parties attending the prehearing conference. The Prehearing Order granted: (a) PWSA's Petition of PWSA for waiver of the statutory definition of FPFTY; (b) PWSA's Petition for consolidation of proceedings and to use combined water and wastewater revenue requirements; (c) UNITED's Petition to Intervene; and, (d) the motions for admission *pro hac vice* filed by UNITED.
17. On July 26, 2018, PWSA filed a Motion for a Protective Order. The requested Protective Order was granted on August 8, 2018.
18. On August 13, 2018, Pennsylvania-American Water Company ("PAWC") filed a formal complaint (C-2018-3003941) in the above-captioned proceedings. PWSA, in lieu of filing an answer, relied upon 52 Pa. Code § 5.61(d),<sup>2</sup> which provides: "For complaints which are docketed with Commission-initiated rate proceedings, an answer may be filed within 10 days of date of service. However, an answer is not required, except as may be directed by the Commission or the presiding officer."

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<sup>2</sup> <http://www.puc.state.pa.us/pcdocs/1585533.pdf>.

## Appendix A

19. On August 24, 2018, James Ferlo filed a formal complaint at Docket No. C-2018-3004291 (Water) and Docket No. C-2018-3004311 (Wastewater) in the above-captioned proceedings. PWSA, in lieu of filing an answer, relied upon 52 Pa. Code § 5.61(d).<sup>3</sup>
20. Consistent with the First Interim Order on Public Input Hearings,<sup>4</sup> Public Input Hearings were advertised by PWSA and held on September 4 at 1:00 and 7:00 PM (Allegheny Center Alliance Church), September 5 at 7:00 PM (Kingsley Community Center) and September 6, 2018 at 7:00 PM (Jeron X. Grayson Community Center).
21. Peoples Natural Gas Company LLC (“Peoples”) filed a formal complaint (C-2018-3004864) in the above-captioned proceedings on September 21, 2018. PWSA filed preliminary objections and an answer to said complaint on October 5, 2018. On October 5, 2018, Peoples filed an amended complaint. On October 15, 2018, PWSA filed preliminary objections and an answer to the amended complaint. On October 24, 2018, Peoples filed a petition to withdrawal its complaint. No objections were filed to said Petition, which was granted on November 14, 2018.
22. On September 25, 2018, I&E, OCA, OSBA, UNITED, PAWC and Peoples<sup>5</sup> served their written direct testimony and exhibits.
23. On September 28, 2018, Duquesne Light Company (“DLC”) filed a formal complaint (C-2018-3005022) in the above-captioned proceedings. PWSA filed an Answer to said Complaint on October 11, 2018.
24. On October 26, 2018, PWSA, I&E, OCA, OSBA and UNITED served their written rebuttal testimony and exhibits.
25. On November 8, 2018, I&E, OCA, OSBA and UNITED served their written surrebuttal testimony and exhibits.
26. The parties engaged in substantial formal and informal discovery in support of their respective positions.
27. Joint Petitioners held numerous settlement discussions over the course of this proceeding. As a result of those discussions and the efforts of Joint Petitioners to examine the issues in the proceeding, Joint Petitioners have been able to agree to a full Settlement and were able to advise the ALJs – prior to the start of the evidentiary hearing – that they had achieved a settlement.
28. On November 14, 2018, an evidentiary hearing was held with all parties in attendance. All parties waived cross-examination. All pre-served testimony and exhibits were entered into the record by stipulation.

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<sup>3</sup> <http://www.puc.state.pa.us/pcdocs/1585533.pdf>.

<sup>4</sup> <http://www.puc.state.pa.us/pcdocs/1581347.doc>.

<sup>5</sup> Testimony filed by Peoples was not admitted into the record as explained in Paragraph 21 (above).

# Appendix B

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## Appendix B

### PROPOSED CONCLUSIONS OF LAW

1. The Joint Petition for Settlement is in the public interest.
2. The rates, terms and conditions contained in PWSA's base rate increase filings of July 2, 2018 at Docket No. R-2018-3002645 (Water) and Docket No. R-2018-3002647 (Wastewater), as modified by the Settlement, are – until changed on a going-forward basis as provided in the Public Utility Code – Commission-made, just and reasonable, and in the public interest.

# Appendix C

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## Appendix C

### PROPOSED ORDERING PARAGRAPHS

THEREFORE, IT IS ORDERED:

1. That the Joint Petition for Settlement filed November 29, 2018 by The Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and Pittsburgh UNITED is approved in its entirety without modification.
2. That The Pittsburgh Water and Sewer Authority shall be permitted to increase annual operating revenues in the total amount of \$21 million consistent with the rates, rules and regulations set forth in Exhibits 1 and 2 (water and wastewater tariffs, as modified) and Exhibit 3 (proof of revenues) to the Joint Petition for Settlement.
3. The Pittsburgh Water and Sewer Authority shall be permitted to file tariffs the form set forth in Exhibits 1 (water tariff) and 2 (wastewater tariff) to the Joint Petition for Settlement, to become effective upon at least one day's notice, for service rendered on and after the effective date of the tariffs, so as to produce an annual increase in revenues consistent with this Order.
4. That The Pittsburgh Water and Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and Pittsburgh UNITED shall comply with the terms of the Joint Petition for Settlement submitted in this proceeding, as though each term and condition stated therein had been the subject of an individual ordering paragraph.
5. That the complaints of the Office of Consumer Advocate at Docket Nos. C-2018-3003165 (Water) and C-2018-3003173 (Wastewater) are deemed satisfied and marked closed.
6. That the complaints of the Office of Small Business Advocate Docket Nos. C-2018-3003388 (Water) and C-2018-3003384 (Wastewater) are deemed satisfied and marked closed.
7. That the complaint of the Pennsylvania-American Water Company at Docket No. C-2018-3003941 is deemed satisfied and marked closed.
8. That the complaint of the Duquesne Light Company at Docket No. C-2018-3005022 is deemed satisfied and marked closed.
9. That the complaints of James Ferlo at Docket No. C-2018-3004291 (Water) and Docket No. C-2018-3004311 (Wastewater) are deemed satisfied and marked closed.
10. That upon acceptance and approval by the Commission of the tariffs and proof of revenues filed by The Pittsburgh Water and Sewer Authority consistent with this Order, the Commission's investigation at Docket No. R-2018-3002645 (Water) and Docket No. R-2018-3002647 (Wastewater) shall be terminated, including the intervention of

## Appendix C

Pittsburgh UNITED into this proceeding; and, both of these dockets shall be marked closed.